Acklands Limited Annual Report 1981

Acklands' Business

Acklands Limited, which employs nearly 3,400 people, is Canada's leading warehouser and distributor of industrial supplies and automotive replacement parts. More than 95 percent of sales are derived from these two core businesses.

The Company maintains a modern and highly efficient network of warehouses in every region of Canada, supporting more than 300 company-owned branches from coast-to-coast. Our various outlets service the industrial, wholesale and retail trade.

Within the automotive and industrial system, we operate specialty divisions for paint and body supplies, fasteners, hand tools, machine tools and welding supplies.

The Company has two large engine rebuilding plants in Saskatoon and Montreal as well as smaller facilities for remanufacturing brakes, clutches and water pumps in Saskatoon.

In the United States, Acklands operates a major warehouse and 23 outlets serving the automotive jobber and do-it-yourself repair market under the name of Craig Motor Service Company. This division is based in West Virginia.

Acknowledgements

Acklands expresses its gratitude to our employees for their many contributions during a very difficult year. The challenges ahead are substantial and will require the commitment of everyone to achieve our goals.

Also, our thanks go to the many suppliers and customers who, with their efforts, work with us to build for the future.

Annual Meeting

The Annual Meeting of Acklands Limited will be held on Wednesday, May 5, 1982 at 2.30 p.m. in the La Verendrye Room of the Carleton Club, 280 Fort Street, Winnipeg, Manitoba, Canada.

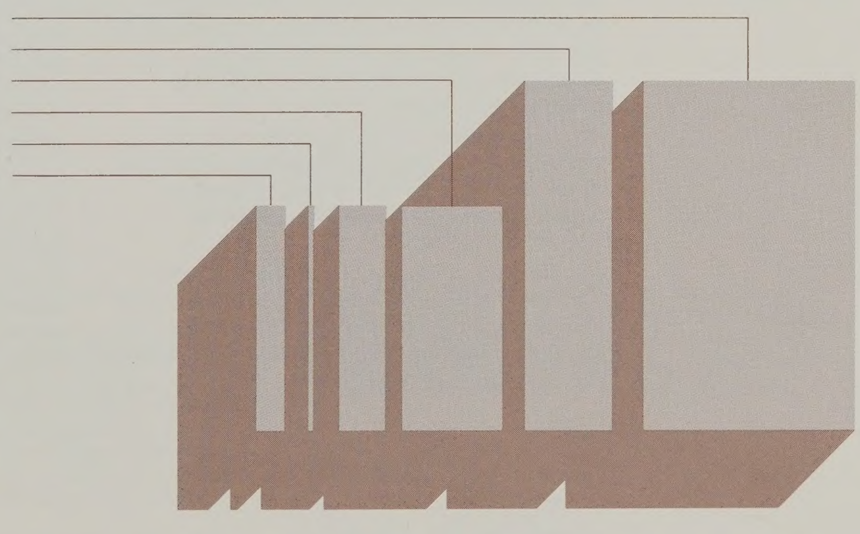
Contents

Financial Highlights

	1981	1980
Sales	**$390,969,000**	$349,973,000
Income before income taxes	**1,961,000**	7,354,000
Net Income	**2,049,000**	5,253,000
Earnings per common share—primary		
Before gain on sale of fixed assets	**.47**	1.85
Gain on sale of fixed assets (net of income taxes)	**.22**	.13
Net Income	**.69**	1.98
Dividends paid		
Preference shareholders	**173,000**	193,000
Common shareholders	**1,628,000**	1,460,000
Dividends paid per preference share	**.96**	.96
Dividends paid per common share	**.60**	.57
Shareholders' equity	**60,631,000**	57,827,000
Equity per common share	**20.90**	21.33
Total Assets	**239,760,000**	228,348,000

Distribution of the 1981 sales dollar

Suppliers	65.0¢
Selling expense	10.0¢
Employees	17.2¢
Depreciation and interest	7.3¢
Taxes	.0¢
Profit	.5¢
	$1.00



PRESIDENT'S REPORT

Acklands Limited achieved increased revenues and much improved operating profit in 1981. Unfortunately, punitive interest rates, which fall heavily on a warehouse distributor with a large and varied inventory, severely eroded profit.

REVENUES: The Company recorded 1981 consolidated sales of $390,969,000, an 11.7 percent increase over the previous year. The economic recession moderated consumer spending on automotive parts and accessories, while cutbacks in business investment diminished demand for industrial supplies and this resulted in a disappointing fourth quarter. Gross margins increased 16.9%.

EARNINGS: Operating profit (before interest, depreciation and taxes) was extremely positive, increasing by 19.5 percent to $29,777,000. This performance reflects the underlying strength of our businesses.

However, net after-tax earnings were $2,049,000, a decline from last year's $5,253,000. This converts into $0.69 per common share, compared with $1.98 in 1980. The key reason for our earnings decline was interest expense, which escalated our 1981 financing costs to $25,020,000, a substantial increase over the unacceptably high $15,349,000 incurred in 1980. The persistence of high interest rates, during a period of general economic retrenchment, will continue to be a major concern in 1982.

A LOOK AHEAD: Acklands remains dedicated to the efficient marketing of industrial products and automotive replacement parts through its strong network of warehouses, branches and other distribution outlets. During 1982, we plan to make additional operational improvements by consolidating selected warehouses and branches.

We are satisfied with the progress of our acquisition of Craig Motor Service Company, West Virginia. We will undertake further expansion in U.S. markets as suitable opportunities arise.

In summary, a leaner, much more efficient Acklands is already emerging, placing us in a strong position to attain substantially improved earnings once interest rates moderate and the economy revives.

N. Starr

Nathan Starr
President and Chief Executive Officer

OPERATIONS REVIEW

OVERVIEW: Acklands' business strategy is to emphasize the warehousing and distribution of industrial supplies and automotive replacement parts at both the wholesale and retail levels.

Rising transportation costs, the economic recession and high interest rates have put tremendous pressure on profit margins. We have initiated management control and feedback mechanisms to hold down operating expenses and enhance productivity. Return-on-asset standards have been introduced in each of our autonomous operating divisions, while productivity standards have been implemented in our warehouses. The computerization of our nationwide distribution system is progressing and producing increased efficiencies.

AUTOMOTIVE: The auto parts aftermarket is going through a protracted transition.

We believe the strong pent-up demand in the aftermarket will spark a strong surge in sales once an economic upturn renews consumer confidence.

Currently, we are working aggressively to improve the market penetration, product mix and profitability of the 220 Bumper to Bumper wholesale/retail auto parts stores, a quarter of which are owned by Acklands.

INDUSTRIAL: Acklands operates Canada's most extensive distribution network of industrial products and supplies, servicing most major industries.

We are well positioned to accommodate any increased business resulting from an economic upturn, particularly in resource related sectors.

OPERATIONS: Our commitment to being a lean and more profitable company will result in the strict application of return-on-asset criteria. Marginal operations will be closed or consolidated with other facilities where possible, as occurred early this year with warehouses in Vancouver and Montreal.

CONSOLIDATED BALANCE SHEET
As at November 30, 1981

Assets

	1981	1980
Current Assets		
Cash	**$ 421,000**	$ 3,271,000
Certificates of deposit		6,000,000
Accounts receivable	**61,033,000**	62,714,000
Inventories	**124,462,000**	109,510,000
Prepaid expenses	**1,590,000**	868,000
	187,506,000	182,363,000
Other Assets		
Investment in 50% owned companies	**1,137,000**	1,311,000
Mortgages and lien notes receivable and other assets	**4,318,000**	2,476,000
	5,455,000	3,787,000
Fixed Assets (note 2)		
Land, buildings and equipment	**69,134,000**	60,490,000
Accumulated depreciation	**22,335,000**	18,292,000
	46,799,000	42,198,000
	$239,760,000	$228,348,000

Liabilities

	1981	1980
Current Liabilities		
Bank advances (note 3)	**$ 68,785,000**	$ 62,200,000
Accounts payable and accrued liabilities	**49,313,000**	45,122,000
Income and other taxes payable	**556,000**	2,549,000
Principal due within one year on long-term debt	**3,787,000**	8,319,000
	122,441,000	118,190,000
Long-Term Debt (note 4)	**55,371,000**	49,890,000
Deferred Income Taxes	**1,317,000**	2,441,000

Shareholders' Equity

	1981	1980
Capital Stock (note 5)	**18,256,000**	15,700,000
Retained Earnings	**42,375,000**	42,127,000
	60,631,000	57,827,000
	$239,760,000	$228,348,000

Contingent Liabilities and Commitments (note 6)
Obligations Under Leases (note 7)

Approved by the Board

N. Starr

N. Starr, Director

D. Wilkins

D. Wilkins, Director

Auditors' Report

To the Shareholders of Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited as at November 30, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at November 30, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
February 1, 1982

Thorne Riddell
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME
Year Ended November 30, 1981

		1981	1980
Sales		**$390,969,000**	$349,973,000
	Cost of sales, selling and administrative expenses	**361,192,000**	325,055,000
		29,777,000	24,918,000
Other Expenses	Depreciation	**3,484,000**	2,742,000
	Interest on long-term debt	**10,185,000**	4,144,000
	Other interest	**14,835,000**	11,205,000
		28,504,000	18,091,000
		1,273,000	6,827,000
	Gain on sale of fixed assets	**688,000**	527,000
	Income before income taxes	**1,961,000**	7,354,000
	Income taxes recovered (expense) (note 8)	**88,000**	(2,101,000)
Net Income		**$ 2,049,000**	$ 5,253,000
Earnings Per Share (note 9)	Income before gain on sale of fixed assets	**$0.47**	$1.85
	Gain on sale of fixed assets (net of income taxes)	**0.22**	0.13
	Net income	**0.69**	1.98

Management's Reporting Responsibility

Management has prepared and is responsible for the accuracy, integrity and objectivity of the financial information contained in this Report. The consolidated financial statements are in accordance with Canadian generally accepted accounting principles consistently applied in all material respects. These statements reflect the judgement of management and the use of estimates when necessary. The financial information contained elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains a system of internal accounting controls and procedures designed to provide reasonable assurance as to the accuracy and reliability of financial records. These controls are subject to an ongoing review by internal audit staff.

The Company's independent auditors, Thorne Riddell, have conducted an examination of the Company's financial records in accordance with Canadian generally accepted auditing standards. This examination includes procedures necessary to support their opinion on the financial statements of the company.

The Board of Directors oversees management's financial reporting responsibilities through its Audit Committee (composed of outside directors) which meets with management and the independent auditors to review accounting, auditing and financial reporting matters.

On Behalf of Management:

N. Starr

Nathan Starr,
President & Chief Executive Officer

A. Glass

Arnold Glass,
Vice-President Finance

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year Ended November 30, 1981

		1981	1980
	Balance at beginning of year	**$42,127,000**	$38,527,000
	Net income	**2,049,000**	5,253,000
		44,176,000	43,780,000
	Dividends declared on: Second preference shares	**173,000**	193,000
	: Common shares	**1,628,000**	1,460,000
		1,801,000	1,653,000
Balance at End of Year		**$42,375,000**	$42,127,000

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended November 30, 1981

		1981	1980
Working Capital Derived From	Operations		
	Net income	**$ 2,049,000**	$ 5,253,000
	Add items not involving working capital		
	Depreciation	**3,484,000**	2,742,000
	Deferred income taxes	**(1,174,000)**	276,000
	Gain on sale of fixed assets	**(688,000)**	(527,000)
	Other items	**260,000**	294,000
		3,931,000	8,038,000
	Increase in long-term debt	**7,514,000**	44,599,000
	Proceeds from sale of fixed assets	**1,871,000**	1,315,000
	Reduction of mortgages and lien notes receivable and other assets	**716,000**	246,000
	Issue of common shares on conversion of debentures and preference shares	**2,878,000**	506,000
		16,910,000	54,704,000
Working Capital Applied To	Additions to fixed assets	**5,393,000**	10,893,000
	Reduction of long-term debt	**3,833,000**	25,864,000
	Dividends	**1,801,000**	1,653,000
	Purchase of second preference shares	**275,000**	133,000
	Reduction of minority interest		242,000
	Acquisition of businesses including acquired working capital deficiency of $1,152,000 (note 11)	**3,609,000**	
	Increase in mortgages and lien notes receivable and other assets	**1,107,000**	574,000
	Investment in 50% owned companies		24,000
		16,018,000	39,383,000
Increase in Working Capital		**892,000**	15,321,000
Working Capital at Beginning of Year		**64,173,000**	48,852,000
Working Capital at End of Year		**$65,065,000**	$64,173,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended November 30, 1981

1. Accounting Policies

(a) Principles of consolidation
The consolidated financial statements include the accounts of all subsidiary companies. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of acquisition and the acquisitions are accounted for as purchases.

(b) Inventories
Inventories are valued at the lower of cost and net realizable value.

(c) Investment in 50% owned companies
It is the company's practice to include in income its equity in net earnings of companies 50% owned and to reflect in the investment account its equity in undistributed earnings.

(d) Fixed assets
Fixed assets are stated at cost. Depreciation is recorded on a basis to amortize the cost of fixed assets over their estimated useful lives and the rates applied are substantially as follows

Buildings	2% Straight-line
Equipment, other than automotive	10% Straight-line
Equipment, automotive	30% Diminishing balance
Leasehold improvements	Over the unexpired terms of the lease

(e) Leases
Leases are classified as either capital or operating leases. Leases that substantially transfer all of the benefits and risks of ownership of property to the company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is being depreciated on the same basis as described in note (d) above. Rental payments under operating leases are expensed as incurred.

(f) Foreign exchange
Operations conducted in U.S. currency are translated on the following bases
(i) Asset and liability accounts in U.S. currency, except for fixed assets and long-term debt, are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date.
(ii) Fixed assets and long-term debt are translated at the rate in effect when the transactions occurred.
(iii) Revenues and expenses are translated at the average rate of exchange during the year and foreign currency gains or losses are recorded in income.

2. Fixed Assets

	1981			1980
	Cost	Accumulated depreciation	Net	Net
Land	**$ 7,182,000**		**$ 7,182,000**	$ 6,139,000
Buildings	**30,830,000**	**$ 6,039,000**	**24,791,000**	22,415,000
Equipment	**21,935,000**	**13,247,000**	**8,688,000**	7,773,000
Equipment under capital leases	**4,896,000**	**1,064,000**	**3,832,000**	2,589,000
Leasehold improvements	**4,291,000**	**1,985,000**	**2,306,000**	3,282,000
	$69,134,000	**$22,335,000**	**$46,799,000**	$42,198,000

3. Bank Advances

Bank advances are secured by the assignment of receivables, a first floating charge on inventories and a junior floating charge on all other assets.

4. Long-Term Debt

	1981	1980
Acklands Limited:		
7½% Unsecured convertible debentures		$ 5,648,000
Note payable, with interest at prime		140,000
8½% Notes, payable $16,000 quarterly to 1984	**$ 161,000**	225,000
Prime related secured debentures, payable $166,670 per month, maturing October 31, 1995	**37,833,000**	39,833,000
8% Notes, payable $5,992 quarterly to November 30, 1985 and $49,440 quarterly thereafter to November 30, 1995	**2,074,000**	
Obligations under capital lease with maturities to 1990 (note 7)	**4,180,000**	2,786,000
Subsidiaries:		
11½% Bank note, payable $43,868 per month including interest, maturing December 7, 1982	**2,642,000**	
6% to 18.25% Mortgages, agreements and notes payable in monthly or quarterly instalments	**12,268,000**	9,577,000
	59,158,000	58,209,000
Principal included in current liabilities	**3,787,000**	8,319,000
	$55,371,000	$49,890,000

Interest on the Prime related secured debentures is at prime commercial lending rates plus ¾ of 1%, but not less than 11½%.

Principal due within each of the next five years is as follows

1982	$3,787,000
1983	6,876,000
1984	3,446,000
1985	3,440,000
1986	3,370,000

5. Capital Stock

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Non-voting second preference shares issuable in series	843,671	$13,499,000		
Series A $0.96 cumulative, convertible and redeemable at $17 per share	222,078	$ 3,553,000	190,984	$ 3,056,000
Deduct				
Converted to common shares during the year	4,890	78,000	4,890	78,000
Purchased for cancellation during the year			20,100	322,000
	4,890	78,000	24,990	400,000
	217,188	$ 3,475,000	165,994	$ 2,656,000
Common shares without par value	3,870,685	$13,507,000	2,567,764	$12,644,000
Add issued on conversion of 7½% Unsecured convertible debentures			201,110	2,873,000
Second preference shares	4,890	78,000	4,890	83,000
	3,875,575	$13,585,000	2,773,764	15,600,000
				$18,256,000

6. Contingent Liabilities and Commitments

(a) Bank loans of 50% owned companies have been guaranteed in the amount of $1,252,000.

(b) Employees' and officers' bank loans of $5,306,000 have been guaranteed by the company to accommodate their purchase of company shares.

(c) Outstanding bank letters of credit amount to $871,000.

(d) The benefits under the company's pension plan were amended in a prior year. These amendments gave rise to an unfunded past service liability, which, at November 30, 1981 is approximately $1,115,000 and is being paid and charged to income in equal amounts until 1989.

7. Obligations Under Leases

(a) Capital leases
The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases as of November 30, 1981

1982	$1,038,000
1983	1,030,000
1984	1,042,000
1985	917,000
1986	719,000
1987-1990	1,398,000
	6,144,000
Amount representing interest	1,964,000
Balance of obligations included in long-term debt	$4,180,000

(b) Operating leases
The company has commitments under operating leases which, after recoveries from sub-tenants totalling $1,292,000, call for future net rentals of $18,771,000. Net rentals are as follows

1982	$3,264,000
1983	3,049,000
1984	2,563,000
1985	2,203,000
1986	1,539,000
1987-2004	6,153,000

8. Income Taxes

Inventory allowance deductions of $3,308,000 ($3,103,000 in 1980) have been claimed in determining income for tax purposes. At November 30, 1981, there are losses of $3,548,000 available to reduce future years' income for tax purposes as follows

Available until	
1984	$2,759,000
1985	789,000
	$3,548,000

The income tax effects of the loss carry forwards has not been recorded in the accounts.

9. Earnings Per Share

(a) The calculation of basic earnings per share, after adjusting for second preference share dividends, has been made using the weighted monthly average number of common shares outstanding in each year.

(b) Conversion of the second preference shares does not have a dilutive effect on earnings per common share and accordingly, fully diluted earnings per shares are not presented.

10. Businesses Acquired

Pursuant to purchase agreements completed in the current year, all the outstanding shares of two groups of companies engaged in the automotive after-market have been acquired for a total consideration of $2,457,000. These acquisitions are accounted for as purchases. Details of the acquisitions are as follows

Net assets acquired, at assigned values		
Fixed assets	$3,770,000	
Other long-term assets	1,730,000	$5,500,000
Working capital deficiency	1,152,000	
Long-term debt	1,891,000	3,043,000
		$2,457,000
Consideration given at fair value		
Cash		$ 360,000
Issue of notes payable		2,097,000
		$2,457,000

11. Segmented Information

The company is engaged in the distribution of automotive and industrial products in Canada and the United States as follows

			1981
	Canada	United States	Total
Sales	$371,242,000	$ 19,727,000	$390,969,000
Income (loss) from geographic segments	$ 2,035,000	$ (75,000)	$ 1,961,000
Income taxes recovered	33,000	56,000	88,000
Net income (loss)	$ 2,068,000	$ (19,000)	$ 2,049,000
Identifiable assets	$225,247,000	$ 14,513,000	$239,760,000

			1980
	Canada	United States	Total
Sales	$349,183,000	$ 790,000	$349,973,000
Income (loss) from geographic segments	$ 7,357,000	$ (3,000)	$ 7,354,000
Income taxes recovered (expense)	(2,101,000)		(2,101,000)
Net income (loss)	$ 5,256,000	$ (3,000)	$ 5,253,000
Identifiable assets	$227,597,000	$ 751,000	$228,348,000

12. Other Information

Remuneration of directors and senior officers, as defined, amounted to $1,293,000 ($1,251,000 in 1980).

FIVE YEAR FINANCIAL SUMMARY

	1981	1980	1979	1978	1977
Sales	**$390,969,000**	$349,973,000	$335,783,000	$292,826,000	$280,446,000
Depreciation	**3,484,000**	2,742,000	2,267,000	1,952,000	2,013,000
Interest on long-term debt	**10,185,000**	4,144,000	3,648,000	3,548,000	3,991,000
Net income					
Including extraordinary items	**2,049,000**	5,253,000	7,265,000	5,802,000	3,128,000
Before extraordinary items	**2,049,000**	5,253,000	6,832,000	4,545,000	3,055,000
Dividends					
Preference shareholders	**173,000**	193,000	205,000	207,000	215,000
Common shareholders	**1,628,000**	1,460,000	1,211,000	1,209,000	1,209,000
Working capital	**65,065,000**	64,173,000	48,852,000	46,801,000	46,161,000
Fixed assets, net	**46,799,000**	42,198,000	34,835,000	30,199,000	28,557,000
Long-term debt	**55,371,000**	49,890,000	31,155,000	31,041,000	34,363,000
Shareholders' equity	**60,631,000**	57,827,000	53,883,000	48,073,000	43,675,000
Total assets	**239,760,000**	228,348,000	208,285,000	187,692,000	168,677,000
Earnings per common share Including extraordinary items					
Primary	**.69**	1.98	2.80	2.22	1.16
Fully diluted	**.71**	1.74	2.37	1.90	1.05
Before extraordinary items					
Primary	**.69**	1.98	2.62	1.72	1.13
Fully diluted	**.71**	1.74	2.23	1.51	1.03
Dividends paid per common share	**.60**	.57	.48	.48	.48
Equity per common share	**20.90**	21.33	20.01	17.71	15.97
Common shares outstanding	**2,773,764**	2,567,764	2,529,163	2,520,008	2,519,098
Number of branches	**318**	284	290	295	309

FINANCIAL REVIEW 1981

Sales by Product Group

	1978	1979	1980	**1981**
Automotive and Industrial	$251.4	$295.5	$322.0	**$372.3**
Power Products	23.2	23.5	16.3	**18.6**
Home Entertainment & Electronics	18.2	16.8	11.7	**.1**
Total (millions)	$292.8	$335.8	$350.0	**$391.0**

Pre-Tax Income by Product Group

	1978	1979	1980	**1981**
Automotive and Industrial	$ 8.0	$ 9.5	$ 7.0	**$ 1.5**
Power Products	.4	.0	1.0	**(.2)**
Home Entertainment & Electronics	(.3)	0	(1.2)	**.0**
Total (millions)	$ 8.1	$ 9.5	$ 6.8	**$ 1.3**

Inventory by Product Group

	1978	1979	1980	**1981**
Automotive and Industrial	$ 79.7	$ 94.1	$ 98.9	**$116.4**
Power Products	5.9	5.2	7.1	**8.0**
Home Entertainment & Electronics	6.6	4.9	3.5	**.0**
Total (millions)	$ 92.2	$104.2	$109.5	**$124.4**

Receivables by Product Group

	1978	1979	1980	**1981**
Automotive and Industrial	$ 45.2	$ 52.8	$ 56.4	**$ 56.2**
Power Products	6.7	5.8	4.7	**4.8**
Home Entertainment & Electronics	2.2	2.5	1.6	**.0**
Total (millions)	$ 54.1	$ 61.1	$ 62.7	**$ 61.0**

Working Capital

Bank advances were $68.8 million at year end, compared with $62.2 million in 1980. Working capital at year end totalled $65.1 million, up slightly from $64.2 million in the prior year.

Ratio Analysis	**1981**	1980
Working Capital	**1.53:1**	1.54:1
Debt/Equity	**2.11:1**	2.08:1
Asset Turnover	**1.63:1**	1.53:1
Return on Assets	**.9%**	2.3%
Inventory Turnover		
—including inter-company	**3.0×**	3.1×
—excluding inter-company	**2.1×**	2.3×
Accounts Receivable Turnover (trade only)	**6.9×**	6.1×
Personnel Productivity (wages to gross profit)	**49.6%**	49.8%

Growth of Total Assets	($ millions)	
1977	$168.7	– 6.5%
1978	187.7	+11.3%
1979	208.3	+11.0%
1980	228.3	+ 9.6%
1981	239.8	+ 5.0%

Capital Expenditures by Province

($ millions)	1981	1980
Quebec	**$ .4**	$ 1.3
Ontario	**$ .3**	$ .4
Manitoba	**$ .1**	$ .3
Saskatchewan	**$ .6**	$ 2.7
Alberta	**$2.6**	$ 5.9
British Columbia	**$ .6**	$ .3
United States	**$ .8**	$ .0
Total	**$5.4**	$10.9

Return on Common

($ millions)

	Equity	Income	% Return
1977	$40.2	$3.1	7.7%
1978	$44.6	$5.8	13.0%
1979	$50.6	$7.3	14.4%
1980	$54.8	$5.3	9.7%
1981	$58.0	$2.0	3.5%

Operating Expense

($ millions)

	1981	1980	% Change
Payroll	**$ 67.1**	$ 57.5	+16.7
Selling	**$ 14.2**	$ 12.8	+10.8
Premises	**$ 15.6**	$ 12.5	+25.3
Warehouse	**$ 8.1**	$ 6.6	+22.8
Administration	**$ 14.5**	$ 12.0	+20.0
Depreciation	**$ 3.4**	$ 2.7	+27.3
Interest Paid	**$ 25.0**	$ 15.3	+63.0
Gain on sale of fixed assets	**$ (.7)**	$ (.5)	+30.6
Other Income/Expenses	**$ (6.4)**	$ (4.1)	+56.2
	$140.8	$114 8	22 6%

1981 Summary by Quarter

($ millions)	Sales 1981	Sales 1980	Net Income 1981	Net Income 1980	Earnings per Share (dollars) 1981	Earnings per Share (dollars) 1980
First Quarter	**$ 79.1**	$ 68.9	**$ .4**	$ .3	**$ .12**	$ .08
Second Quarter	**$102.0**	$ 91.3	**$ .7**	$ .1	**$ .25**	$ .03
Third Quarter	**$102.8**	$ 87.3	**$ (.6)**	$ .3	**$ (.23)**	$ .11
Fourth Quarter	**$107.1**	$102.5	**$1.5**	$4.6	**$ .55**	$1.76
	$391.0	$350.0	**$2.0**	$5.3	**$ .69**	$1.98

Capitalization at Year End

	($ millions) 1981	($ millions) 1980	(Percentage) 1981	(Percentage) 1980
Common Equity	**$ 58.0**	$ 54.8	**50.0%**	50.9%
Preferred Stock	**$ 2.6**	$ 3.0	**2.2%**	2.8%
Long-Term Debt	**$ 55.4**	$ 49.9	**47.8%**	46.3%
	$116.0	$107.7	**100.0%**	100.0%

Board of Directors

Philip Ashdown
Provincial Judge, Winnipeg

Edwin W. Austin
Executive Vice-President,
Castor Holdings Ltd.,
Montreal

Moshe Bessin
Vice President, Retail Division,
Acklands, Toronto

Donald E. Boxer
Director, Burns Fry Limited, Toronto

Donald Carr, Q.C.
Senior Partner, Goodman and Carr,
Toronto

Daniel W. Casey
Retired Bank Executive, Toronto

Jacques Douville
Executive, Montreal

George Forzley
Retired Acklands Executive, Vancouver

Herman Kahn
Managing Director, Lehman Brothers
Kuhn Loeb Incorporated, New York

Norman A. Peden
Retired Acklands Executive, Edmonton

Simon Reisman
President, Reiscar Ltd., Ottawa

Dr. Nathan Schecter
Physician, Ottawa

Nathan Starr
President and Chief Executive Officer,
Acklands, Toronto

Samuel Wallin
President,
Queen-Yonge Investments Ltd., Toronto

Donald J. Wilkins
Chairman of The Board,
Acklands, Toronto

Executive Committee

Moshe Bessin
Donald E. Boxer
Donald Carr, Q.C.
Daniel W. Casey
George Forzley
Nathan Starr
Donald J. Wilkins

Compensation Committee

Simon Reisman, Chairman
Donald Carr, Q.C.
Daniel W. Casey

Audit Committee

Donald E. Boxer, Chairman
Philip Ashdown
Daniel W. Casey

Major Divisions

Automotive Warehouse Distributors Incorporated (U.S.)
Craig Motor Service Company, Inc. (U.S.)
Family Auto
Gillis & Warren
Maurice Rousseau
Moto-Rite
Regent Automotive
Taylor, Pearson & Carson
T.P.C. Turfcare
Westair Sales
Western Automotive Rebuilders
Western Warehouse Distributors
Westward Distributors
Westward Power Products

Directory

Officers and Staff

Donald J. Wilkins
Chairman of the Board

Nathan Starr
President and Chief Executive Officer

Donald J. Dawson
Senior Vice President and
General Manager

Douglas G. Cumming
Senior Vice President, Operations

Arnold Glass
Vice President, Finance and
Secretary Treasurer

Victor A. Aker
Vice-President, British Columbia

Moshe Bessin
Vice-President, Retail Division

Samuel H. Blank
Vice-President, Director of
Corporate Purchasing

Paul Burns
Vice President

David M. Craig
Vice President, Credit

Blake E. Forrest
Vice President, International Division

Michael Joel
General Manager, Moto-Rite

Leonard J. Kenna
Vice President, Special Projects

Harry M. Kilmer
President,
Craig Motor Service Company, Inc

Alex Kozma
Vice President, Internal Audit

Donald T. Langton
Vice President, Ontario and Quebec
Automotive Division

Theodore Stokes
Vice-President and General Manager,
Saskatchewan

Lloyd Utigard
Vice-President and General Manager
Western Automotive Rebuilders

Berl Bessin
Assistant Vice-President,
International Division

Arnold Harbour
General Manager, Manitoba and
Northwestern Ontario

Eugene Hretzay
Assistant Secretary

Leonard Lavoie
Manager Information Services

Pierre Maranda
General Manager
Quebec Automotive Division

Gerald W. McCallum
Assistant Treasurer

Kiyo Nonomura
Assistant Director of Corporate
Purchasing

Joseph J. Rorai
General Manager, Ontario Industrial
Division

Victor Russman
General Manager, British Columbia

Samuel N. Smilski
Comptroller

Allan R. Smith
Bumper to Bumper National
Co ordinator

Allan Stambaugh
General Manager, Alberta

E. Roland Williams
Assistant Vice-President,
British Columbia

Corporate Data

Auditors
Thorne Riddell, Winnipeg

Transfer Agents and Registrars

Common Shares
The Canada Trust Co
Vancouver, Winnipeg, Toronto and
Montreal

Second Preference Shares Series A
The Crown Trust Company, Vancouver,
Winnipeg, Toronto and Montreal

Counsel
Sokolov, Klein & Company, Winnipeg

Share Listings
Toronto, Vancouver and Winnipeg
Stock Exchanges
Ticker Symbol: ACK

Head Office
125 Higgins Avenue
Winnipeg, Manitoba
R3B 0B6
Telephone (204) 956-0880

DIARY COMPANIES

ancial Position
igures for 1980 (unaudited)

financière
comparatifs pour 1980

1980	
	Provenance du fonds de roulement
$ 1,601,000	Exploitation
18,300,000	Augmentation de la dette à long terme
182,000	Produit de la vente d'immobilisations
433,000	Émission d'actions ordinaires à la conversion de débentures d'actions privilégiées
—	Diminution de placements dans les compagnies détenues à 50%
20,516,000	
	Affectation du fonds de roulement
—	Immobilisations de filiales à la date d'acquisitions
5,848,000	Additions aux immobilisations
17,629,000	Diminution de la dette à long terme
788,000	Dividendes
45,000	Achat d'actions privilégiées de deuxième rang
12,000	Augmentation de placements dans des compagnies détenues à 50%
248,000	Augmentation des hypothèques et billets privilégiés à recevoir et autres éléments de l'actif
24,570,000	
(4,054,000)	Augmentation (diminution) du fonds de roulement
48,852,000	Fonds de roulement au début de l'exercice
$44,798,000	**Fonds de roulement à la fin de la période**

ACKLANDS LIMITED

1981

SIX MONTHS

REPORT

To Our Shareholders:

Acklands Limited reported higher sales and a sharp increase in profits for the six months ended May 31, 1981.

Sales volume increased by 13 percent to $181,125,000 in the first half of the fiscal year, compared with $160,220,000 in the corresponding period of 1980. Sales for continuing operations, adjusted for acquisitions made in the first quarter of the current year and divisions which were divested last year, were up over 17 percent in the first six months of 1981.

Income before taxes was $1,630,000 compared with $562,000 for the same period in 1980. Net after tax income amounted to $1,092,000 or 37¢ per common share, up from $368,000 or 11¢ per share the year before. Last year's results included a gain of .03¢ per share on the sale of fixed assets. There were 173,786 more common shares outstanding in 1981 due to conversion of the company's 7-1/2 percent unsecured convertible debentures.

High rates of interest continued to have an adverse effect on profits. Interest paid in the first half of 1981 was $10,842,000 compared with $8,070,000 last year, an increase of 34 percent.

The company's profit recovery was due to a combination of stronger demand for both auto parts and industrial products, and the fact that we have closed or sold a number of unprofitable operations.

High inflation and a soft economy have weakened the automotive replacement parts market in recent years, but as delayed repairs emerge, the growth rate in the automotive parts and service area should accelerate beyond the ten to fifteen percent rate traditionally experienced. As the country's leading distributor of industrial supplies, we are also well positioned to enjoy the benefits that are expected to materialize from capital investments in the oil projects of the west. As that energy-led investment surge occurs, there will be substantial demand for equipment, machinery, parts and other industrial products, which will benefit Acklands. Thus, we are optimistic that the improving trend in the first half of the year will continue for the balance of 1981.

Thank you for your continuing support.

Nathan Starr

Nathan Starr
President and Chief Executive Officer

Executive Office
100 Norfinch Drive
Downsview, Ontario M3N 1X2
Telephone (416) 663-7900

June 25, 1981

ACKLANDS LIMITED AND SU
ACKLANDS LIMITÉE ET FILIA

Consolidated Statement of Income
Six Month Period Ended May 31, 1981 with compar

État consolidé des bénéfices
Période de six mois terminée le 31 mai 1981 avec c
(sous réserve de vérification comptable)

	1981
SALES	$181,125,000
Cost of sales, selling and administrative expenses before the following	167,436,000
	13,689,000
DEDUCT	
Depreciation	1,213,000
Interest on long-term debt	4,421,000
Other interest	6,421,000
Gain on sale of fixed assets	4,000
	12,059,000
Income before income taxes	1,630,000
Income taxes	
Current	388,000
Deferred	150,000
	538,000
Net income for the period	$ 1,092,000
Earnings per share	
Basic	
Income before gain on sale of fixed assets	$ 0.37
Gain on sale of fixed assets (net of income taxes)	—
Net Income for the Period	$ 0.37
Fully Diluted	
Income before gain on sale of fixed assets	$ 0.39
Gain on sale of fixed assets (net of income taxes)	—
Net Income for the Period	$ 0.39
Common shares outstanding	2,735,549

SIDIARY COMPANIES
ES

e figures for 1980 (unaudited)

res comparatifs pour 1980

1980	
$160,220,000	VENTES
150,563,000	Coût des ventes, frais de vente et d'administration avant ce qui suit
9,657,000	
	DÉDUIRE
1,122,000	Amortissement
1,889,000	Intérêts sur la dette à long terme
6,181,000	Autres intérêt
(96,000)	Gain sur la vente d'immobilisations
9,096,000	
562,000	Bénéfice avant impôts sur le revenu
	Impôts sur le revenu
70,000	Courants
124,000	Reportés
194,000	
$ 368,000	Bénéfice net de la période
	Bénéfice par action
	Base
$ 0.08	Bénéfice avant gain sur la vente d'immobilisations
0.03	Gain sur la vente d'immobilisations (net d'impôts sur le revenu)
$ 0.11	Bénéfice net de la période
	Entièrement dilués
$ 0.12	Revenu avant gain sur la vente d'immobilisations
0.03	Gain sur la vente d'immobilisations (net d'impôts sur le revenu)
$ 0.15	Bénéfice net de la période
2,561,763	Actions ordinaires en circulation

À nos actionnaires:

Pendant la période de six mois close le 31 mai 1981, Acklands a constaté une augmentation de ses ventes et une majoration considérable de ses profits.

En effet, le volume des ventes a augmenté de 13 pour cent pour passer à $181,125,000 pendant la première moitié de l'exercice fiscal, contre $160,220,000 pour la période correspondante de 1980. Les ventes des opérations en exploitation, compte tenu des rectifications apportées en fonction des acquisitions faites au cours du premier trimestre de l'année en cours et des divisions ayant fait l'objet d'un désaisissement l'année dernière, avaient augmenté de 17 pour cent au cours des six premiers mois de 1981.

Les bénéfices avant impôts s'élevaient à $1,630,000 contre 562,000 pour la même périod de 1980. Les bénéfices nets après impôts se chiffraient à $1,092,000, soit 37¢ par action ordinaire, alors qu'ils n'étaient que de $368,000, soit 11¢ par action un an auparavant. Les résultats de l'année dernière tenaient compte d'un gain de .03¢ par action sur la vente d'immobilisations. Par suite de la conversion par la Compagnie de ses débentures convertibles non garanties à 7-1/2 pour cent, le nombre des actions ordinaires en circulation a été augmenté de 173,786 unités.

Les taux d'intérêt élevés sont toujours préjudiciables aux profits. L'intérêt payé pendant la première moitié de 1981 s'élevait à $10,842,000 contre $8,070,000 l'année dernière, soit une majoration de 34 pour cent.

Le redressement des profits de la Compagnie est imputable d'une part à une demande accrue pour les pièces détachées pour automobiles et les produits industriels et, d'autre part, au fait que nous avons fermé ou vendu un certain nombre d'operations peu profitables.

L'inflation, jointe au marasme économique, a contribué à affaiblir le marché des pièces de rechange pour automobiles au cours de ces dernières années mais, au fur et à mesure que les demandes ajournées se matérialiseront, le taux d'expansion du domaine des pièces et services automobiles devrait progresser au-delà des dix à quinze pour cent habituels. En tant que distributeurs de fournitures industrielles dont la suprématie est indiscutée, nous sommes bien placés pour profiter des avantages que nous attendons de nos placements en capital dans des projets pétroliers à l'Ouest. Au fur et à mesure que la poussée des investissements dictés par l'énergie se matérialisera, la demande en équipement, machines, pièces détachées et autres produits industriels sera profitable pour Acklands. Par conséquent, nous avons tout lieu d'être optimistes et nous sommes persuadés que la tendance à l'amélioration constatée au cours de la première moitié de l'exercice se poursuivra pendant le restant des mois à venir.

Nous vous remercions de la confiance dont vous nous honorez.

Nathan Starr

Nathan Starr
Président et directeur administratif en chef

25 juin 1981

AR05

ACKLANDS LIMITÉE

1981

RAPPORT DU

SIX MOIS

ACKLANDS LIMITED AND SUB
ACKLANDS LIMITÉE ET FILIAL

Consolidated Statement of Changes in

Six-Month Period Ended May 31, 1981 with comparat

État consolidé de l'évolution de la situat

Période de six mois terminée le 31 mai 1981 avec chi
(sous réserve de vérification comptable)

	198
Working capital derived from	
Operations	$ 2,529,00
Increase in long-term debt	6,835,00
Proceeds from sale of fixed assets	19,00
Issue of common shares on conversion of debentures and preference shares	2,364,00
Decrease in investments in 50% owned companies	23,00
	11,770,00
Working capital applied to	
Fixed assets of subsidiaries at acquisition date	3,603,00
Additions to fixed assets	1,630,00
Reduction of long-term debt	2,277,00
Dividends	887,00
Purchase of second preference shares	214,00
Increase in investment in 50% owned companies	
Increase in mortgages and lien notes receivable and other assets	1,937,00
	10,548,00
Increase (decrease) in working capital	1,222,00
Working capital at beginning of period	64,173,00
Working Capital at end of period	$65,395,00